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**UNITED STATES BANKRUPTCY COURT
NORTHERN DISTRICT OF CALIFORNIA**

In re)	No. 08-12206 AJ
)	
LOHREY ENTERPRISES, INC.,)	Chapter 11
)	
Debtor.)	

**DECLARATION OF JAMES A. SHEPHERD IN SUPPORT OF
U.S. TRUSTEE'S EMERGENCY MOTION TO CONVERT
OR DISMISS CASE FOR CAUSE UNDER 11 U.S.C. § 1112(b)**

I, James A. Shepherd, declare as follows:

1. I am employed as a Trial Attorney in the Office of the United States Trustee, Region 17, San Francisco Division, 235 Pine Street, San Francisco, California 94104. I make this declaration based on my own personal knowledge of the facts of this matter. If called upon to do so, I could and would testify to the following:

2. From the afternoon of November 3, 2008 through the present, I have been engaged in an ongoing effort to identify a qualified and willing candidate to serve as chapter 11 trustee in the above-captioned case. I have contacted ten potential candidates during that time, eight of which have declined the assignment for a variety of reasons. I am awaiting a final response from the two other candidates.

3. I and my office are engaged in a continuing effort to find a qualified and willing chapter 11 trustee candidate for this case and we will continue in those efforts up to and through the time the U.S. Trustee's motion to convert or dismiss is adjudicated.

4. Michael Fallon emailed me a copy of an October 31, 2008 letter from Pacific Gas & Electric demanding that the debtor post a deposit of \$102,069 or risk shut off of service on November

EX PARTE MOTION TO SHORTEN TIME FOR NOTICE OF HEARING ON U.S. TRUSTEE'S MOTION TO
APPOINT CHAPTER 11 TRUSTEE UNDER 11 U.S.C. § 1104 AND DECLARATION

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1 17, 2008. Mr. Fallon also emailed me a copy of a November 3, 2008 letter from counsel for the City of
2 Gilroy notifying the debtor that utility service to the company's Gilroy plant will be suspended unless a
3 deposit of \$98,410 is posted by November 6, 2008.

4 5. On November 4, 2008, I received an email from Allegiant, debtor's payroll servicer,
5 providing notice that Allegiant may cancel debtor's worker's compensation coverage unless outstanding
6 invoices in the total amount of \$339,015 are paid by Friday, November 7. I forwarded the email to Mr.
7 Fallon and spoke with him about it on November 5. Mr. Fallon informed me that the debtor does not
8 dispute that Pacific Gas & Electric, the City of Gilroy, and Allegiant are demanding payments as
9 described herein.

10 6. On November 5, 2008, I spoke with Katherine Windler, counsel to Wells Fargo and Tri-
11 State, who informed me that Wells Fargo and Tri-State have no objection to the court setting a
12 November 6, 2008, 10:00 a.m. hearing on the U.S. Trustee's motion, and that neither would object to an
13 immediate conversion or dismissal of this case.

14 7. On November 5, 2008, I spoke with the debtor (through counsel Michael Fallon),
15 Allegiant (through its general counsel Norman Tiptoe), Owens Family Trust (through counsel Nick
16 Shamiyeh), and Kaiser Permanente (through counsel Mark Talley), each of which has no objection to the
17 court setting a November 6, 2008, 10:00 a.m. hearing on the U.S. Trustee's motion to convert or dismiss.

18 I declare that the foregoing is true and correct. Executed this 5th day of November, 2008, at San
19 Francisco, California.

20 /s/
21 James A. Shepherd